

Toronto Community
Housing Corporation
931 Yonge Street
Toronto, Ontario
M4W 2H2

Attachment 3

EX35.13



Legal Services
Tel: (416) 981-4241
Fax: (416) 981-4234
Ismail.Ibrahim@torontohousing.ca
www.torontohousing.ca

February 15, 2018

Mr. Peter Wallace
City Manager
11th Floor, East Tower, City Hall
100 Queen Street West
Toronto, ON M5H 2N2

RE: Request to Revise Toronto Community Housing Corporation's ("TCHC") Financial Control ByLaw 3 ("Bylaw 3").

Dear Mr. Wallace,

This letter is to request that the City of Toronto revise TCHC's Bylaw 3.

Background

Bylaw 3 currently governs the financial control structure of TCHC. This document requires an update as it contains ambiguous terminology, does not address changes in TCHC's business since its inception in 2002, and, with the exception of the definition of "commitment," has not been updated since it was established in 2002.

Attachment 1 provides the existing Bylaw 3.

Attachment 2 provides the suggested new financial control bylaw.

Attachment 3 provides explanation and reasoning for the suggested changes to Bylaw 3.

Attachment 4 provides Secretary's Certificate: Changes to Financial Control Bylaw 3

Reasons for Recommendation

The existing Bylaw 3 is not well structured and unclear in multiple areas, thus leading to confusion and uncertainty in interpreting it. The recommended revisions to Bylaw 3 seek to:

1. Provide more clarity and consistency;
2. Clarification of authority given under "Budget Approval" and "Spending Authority";
3. Define commitment value for the purposes of determining spending authority and to avoid perception of splitting;
4. Define capital project: Building Capital vs. Development;
5. Address revenue contracts; and

6. Delegate authority from the Board.

Please see Attachment 3 for a detailed explanation of the recommended revisions to Bylaw 3 that seek to resolve the issues outlined above.

Conclusion

TCHC has been granted Board Approval to request the City of Toronto to revise Bylaw 3. The suggested changes will make the bylaw clearer and reduce uncertainty by eliminating unnecessary defined terms, adding clearer defined terms and by adding new sections to improve the structure of the bylaw to make it easier to find information.

Please feel free to contact me directly at 416-981-4241 if you have any questions.

Yours truly,



Ismail Ibrahim

General Counsel & Corporate Secretary

cc Jay Paleja, Senior Corporate Management and Policy Consultant, City of Toronto Manager's Office (via email: Jay.Paleja@toronto.ca)

**TORONTO COMMUNITY HOUSING CORPORATION
FINANCIAL CONTROL BY-LAW NO. 3**

Back to report

To confer certain authorities and responsibilities with respect to the commitment of funds and the payment of accounts of the Toronto Community Housing Corporation and other related matters.

WHEREAS the Board of Directors (the "Board") of Toronto Community Housing Corporation (the "Corporation") enacted By-Law No. 2 related generally to the conduct of the business and affairs of the Corporation; and

WHEREAS said By-Law No. 2 in Section 6.03 (2) (b) confers certain authority upon the Corporation's Chief Executive Officer to commit the Corporation contractually; and

WHEREAS the Board has determined to repeal Section 6.03 (2) (b) of By-Law No. 2 and replace it with this Financial Control By-Law.

NOW THEREFORE the Board HEREBY ENACTS as follows:

1. Definitions:

In this by-law:

"Account" means a financial liability of the Corporation arising from a commitment and evidenced by any invoice, pay sheet, receipt or other document indicating payment is due for the goods or services specified in the account;

"Approval of Board" means the funding approval authorized by the adoption of interim and/or final operating budgets or the capital budget and includes the approval of a project in a capital budget by the Board;

"Capital Budget" means the annual, Board approved budget for capital projects;

"Capital Project" means an undertaking in respect of which an expenditure is incurred to acquire, improve and maintain land, buildings, engineering structures, machinery and equipment, including installation of computer software;

"CEO" means the Chief Executive Officer of the Corporation;

"Commitment" means a contractual obligation for the purchase of goods, services or construction, including the execution of any document evidencing the obligation;

"Expenditures" are payments for obligations incurred by the Corporation in delivering the services prescribed in its mandate;

"Management" means the CEO and other senior executives of the Corporation;

"Net Income" means Revenues/Sources of Funds less Expenditures/Uses of Funds;

"Operating Budget" means the annual, Board approved budget for revenues and expenditures;

"Property" means buildings managed by the Corporation;

"Revenues" mean all tenant rents and subsidies, net investment earnings, and other income earned by the Corporation in delivering its services.

2. Sole Authority

Except as otherwise provided in this By-Law, the Board has the sole authority for approving funding to operating and capital budgets.

3. Purpose

The budgeting, commitment of funds and payment of accounts of the Corporation shall be carried out in accordance with the provisions of this By-Law.

4. Applicability

The provisions of this By-Law shall apply to all Departments of the Corporation.

Part I
Budgets

5. Operating Budget

The Board, in adopting the total of all sums required during the year for the operating purposes of the Corporation shall determine the operating budget required to provide for the sums required for every purpose and the sums required for the various categories of purposes.

6. Capital Budget

The Board, in adopting the capital budget, shall determine the sums required for each capital project listed in the capital budget and each sum provided therefore shall be a capital account.

7. Spending Authority – Operating Budget

- a. The operating budget approved by the Board establishes the planned revenue and expenditure levels for the Corporation. Spending or funds control is based on the net income.
- b. Management may reallocate revenues and expenditures to meet the budgeted net income or loss. Reallocations of revenues and expenditures over \$500,000 must be reported to the Board. Board approval is required if the net income or loss per the approved operating budget is expected to change by more than 10% or \$1,000,000, whichever is greater.
- c. At a minimum, the CEO shall provide the Board a quarterly report comparing budgeted revenues and expenditures to the actual revenues and expenditures.

8. Spending Authority – Capital Budget

- a. The capital budget approved by the Board establishes the spending authority for capital projects.
- b. Individual capital projects over \$500,000 require Board approval. These individual projects will typically be approved as part of the capital budgeting process.

- c. The CEO shall have the authority to approve change purchase orders and contract amendments for capital projects, as follows:
 - i. For contracts where the original contract value was in the CEO's authority specified in specified in Section 10 b. of this Financial Control By-Law, at an amount less than 20% of the amount exceeding the authority specified in Section 10 b. of this Financial Control By-Law;
 - ii. For contracts where the original contract value exceeded the CEO's authority specified in Section 10 b. of this Financial Control By-Law and was approved by the Board, at an amount less than 20% of the original contract amount.
- d. For each capital project, the CEO shall report to the Board:
 - i. All change orders and contract amendments individually in excess of \$500,000 and
 - ii. The sum of all change orders and contract amendments, when that sum exceeds \$500,000.
- e. Management may reallocate funds among capital projects, as long as this reallocation does not result in an increase in the capital budget. Reallocations of funding for capital projects over \$500,000 shall be reported to the Board.
- f. At a minimum, management shall provide the Board a quarterly report comparing budgeted capital expenditures to actual expenditures plus contract commitments.

Part II
Board Approval

9. Approval

No Commitment shall be made, no debt shall be incurred, no expenditure shall be made and no Account shall be paid by or on behalf of the Corporation, except with Board approval and in accordance with the provisions of this Financial Control By-Law.

Part III
Commitments

10. Spending Authorities

- a. The CEO may delegate spending authority to any management or staff member. In delegating spending authority, the CEO shall formulate and maintain a current schedule specifying the delegation of financial signing authority within the Corporation, including commitment and payment authorities.
- b. The CEO, or his or her designate, may make a commitment, not exceeding \$500,000.00 in any one instance, provided that the funds have been provided in an operating budget or capital budget. Any such amount shall be inclusive of all taxes and related charges.

- c. The CEO, or his or her designate, may make a commitment, not exceeding \$250,000.00 in any one instance, if the funds have not been provided in an operating budget or capital budget. Any such amount shall be inclusive of all taxes and related charges.
- d. Notwithstanding the requirements of Sections 10. b. and 10. c., the CEO, or his or her designate, is delegated standing authority to pay routine, budgeted expenditures, including specific property management costs for utilities, taxes and mortgage principal and interest payments, as well as payroll and related benefits.
- e. The CEO shall have the authority to approve change purchase orders and contract amendments, as follows:
 - i. For contracts where the original contract value was in the CEO's authority specified in specified in Section 10 b. of this Financial Control By-Law, at an amount less than 20% of the amount exceeding the authority specified in Section 10 b. of this Financial Control By-Law;
 - ii. For contracts where the original contract value exceeded the CEO's authority specified in Section 10 b. of this Financial Control By-Law and was approved by the Board, at an amount less than 20% of the original contract amount.
- f. In cases of emergency, and with the approval of the Chairman of the Board, or his or her designate, the CEO, or his or her designate, has the authority to commit the Corporation contractually in excess of the amounts stipulated in Sections 10 b., c. and d., above.

Part IV
Authority for Write Offs and Disposition of Assets

11. Authority for Write Offs

The CEO, or his or her designate, is authorized to write off outstanding amounts owing to the Corporation as uncollectible. Write offs of amounts owing to the Corporation in excess of \$250,000 per occurrence must be reported to the Board.

12. Disposition of Assets

All asset disposals over \$250,000 shall be reported to the Board. The CEO, or his or her designate, is authorized to sell or otherwise dispose of assets owned by the Corporation, except in either of the following cases:

- a. The net book value of the assets being disposed of exceeds \$500,000, which requires Board approval; and/or
- b. The disposition of assets involves real estate property, which requires Shareholder approval.

**Part V
General**

13. Repeal/Amendment

Subject to Shareholder Direction, the Board may repeal or amend all or any part of this By-Law.

14. Section 6.03(2)(b) of By-Law No. 2

Section 6.03(2)(b) of By-Law No. 2 of the corporation is repealed.

15. Effective Date

This By-Law shall come into force on the 28th day of October 2002.

ATTACHMENT 2 – PROPOSED NEW FINANCIAL CONTROL BYLAW

TORONTO COMMUNITY HOUSING CORPORATION FINANCIAL CONTROL BYLAW NO. 3 - DRAFT

PART I

Definitions, Authority, Purpose, Applicability

A. Definitions

In this Bylaw:

“**Account**” means a financial liability of the Corporation arising from a Commitment and evidenced by any invoice, pay sheet, receipt, or other document indicating payment is due for the goods or services specified in the account.

“**Anchor Business Plan**” is the plan establishing the overall budget for each Development Capital Project.

“**Board Committee**” means a committee established by the Board of Directors.

“**Building Capital Project**” means to acquire, improve, or demolish land, buildings, engineering structures, and the project relates to a defined Capital Budget Envelope in the Capital Budget to be completed at a particular property at a specified municipal address. All Building Capital Projects will be grouped into a Capital Budget Envelope in seeking the approval of the Capital Budget.

“**Capital Budget**” means the annual, Board approved, budget to accomplish the Capital Plan as reflected in capital activities of the Statement of Cash Flows in the consolidated financial statements of the Corporation.

“**Capital Budget Envelope**” means the category of Building Capital work in the Capital Budget, including but not limited to mechanical, structural, roofing, electrical, and life safety.

“**Capital Plan**” means the total of the planned and unplanned Building Capital Projects and Development Capital Projects to be carried out during the specified period.

“**Capital Project**” means any of: i) a Building Capital Project, ii) a Development Capital Project, and iii) an Other Capital Project.

“**Commitment**” means the entering into any contractual obligation including, without limitation, those relating to the purchase of goods, services or construction, partnering/community arrangements, joint ventures, banking documents, and debt, or any other document evidencing

obligation to reflect a specific operating Program, Building Capital Project, Development Capital Project, or Other Capital Project.

“Commitment Change Order” means a requested change in either scope of work or dollar value of the original, approved Commitment.

“Commitment Value” means the value of the Commitment for the purposes of determining Spending Authority.

“Corporation” means the Toronto Community Housing Corporation.

“Development Capital Project” means an undertaking to develop a parcel of land and/or buildings, and the project encompasses all sub-projects in the Anchor Business Plan.

“Material Risk of Financial Loss” means a possibility of incurring loss of money or decrease in financial value that would be significant to the Corporation.

“Net Income” or **“Net Loss”** means revenues/sources of funds less expenditures/uses of funds for accounting purposes.

“Operating Budget” means the annual projected revenues and expenditures budgeted to carry out the Operating Plan for revenues and expenditures.

“Operating Plan” means the planned annual operating activities as reflected in the Statement of Operations in the consolidated financial statements of the Corporation.

“Other Capital Project” means any other capital asset recognized in the consolidated financial statements of the Corporation (on the basis of accounting principles), that is neither a Building Capital Project nor a Development Capital Project. Examples of Other Capital Project include information technology capital or general corporate capital (i.e. leasehold assets etc.).

“Payment Authority” means the authority to settle an Account of the Corporation.

“Program” means a strategy that encompasses one or more related goods or services that is either mission driven or mandate driven and is the level at which the Board approves funding in the Operating Budget.

“Procurement Authority” means the authority to begin the purchasing process to procure goods and services as a result of the Board approval of the Operating and/or Capital Budget.

“Procurement Award Committee” means the committee consisting of senior staff as established under the Board approved terms of reference of the committee.

“Procurement Call” means solicitation by the Corporation to external suppliers to submit a tender, quotation, proposal, pre-qualification, and expression of interest.

“Revenue Contracts” means a binding agreement between the Corporation and another party that defines the terms under which revenue will be received, including but not limited to, commercial leases and applications, residential leases and applications, and revenue commitments.

“**Spending Authority**” means the authority to enter into a Commitment.

“**Urgency**” means a situation where the purchase of goods and services is necessary due to unforeseen circumstances that may result in material risk of financial loss; a situation where the purchase of goods or services is necessary because of an immediate risk to the safety or health of the Corporation’s employees, residents or the general public; or because of the possibility of serious damage to the Corporation’s property.

Sole Authority

The Board has the sole authority to approve the funding of Operating and Capital Budgets, except as otherwise provided in this Bylaw.

B. Purpose

The budgeting, commitment of funds, and payment of accounts of the Corporation shall be carried out in accordance with the provisions of this Bylaw.

C. Applicability

The provisions of this Bylaw shall apply to the Corporation.

PART II

Budgets

D. Operating Budget

The Board, in adopting the total of all sums required during the year for the operating purposes of the Corporation, shall approve or amend the Operating Budget put forth by the Chief Executive Officer to carry out the Operating Plan.

E. Capital Budget

The Board, in adopting the sums required during the year for the capital purposes of the Corporation, shall approve or amend the Capital Budget put forth by the Chief Executive Officer to carry out the Capital Plan.

In preparing the annual Capital Budget, in respect of Building Capital Projects and Other Capital Projects, sources of funding must be identified and included as part of the Capital Budget process.

In addition, in respect of Development Capital Projects, approval within the overall Capital Budget for such projects shall take place in the following progression:

- At time of project initiation – an Anchor Business Plan be presented as part of obtaining budget approval that will reflect the overall project costs and sources of funding overall years in which the Development Capital Project is anticipated to take place; and
- On an annual basis, as part of the Capital Budget, the Anchor Business Plan be integrated into the annual Capital Budget to reflect any changes that may or may not have taken place since the approval of the previous Anchor Business Plan.

There may be instances in which Development Capital Projects come forward for budget approval during the course of the fiscal year, but were not contemplated, nor included in the current year annual Capital Budget. As such Development Capital Projects come forward, the annual Capital Budget will be updated to reflect new approvals, and the identification of the required sources of funding be presented and be part of the budget approval by the Committee or Board of Directors, having the appropriate Commitment Authority.

F. Procurement Authority – Operating Budget

1. The Operating Budget approved by the Board establishes the planned revenue and expenditure levels for the Corporation. The approval of the Operating Budget authorizes the Corporation to begin the procurement process to execute the Operating Plan.
2. Procurement Authority and Spending Authority may be provided by the Board simultaneously, where the Board explicitly states that, with the approval of the budget, the Board authorizes appropriate staff to enter into a Commitment(s) on behalf of the Board.
3. Management may propose to reallocate revenues and expenditures in the Operating Budget during the course of the fiscal year, subject to the following:
 - a. Reallocations greater than \$500,000 shall be reported to the Board on a quarterly basis; and
 - b. A reallocation that results in a change to the Net Income or Net Loss per the approved Operating Budget by more than 10% or \$1,000,000, whichever is greater, shall be approved by the Board.
4. At a minimum, the Chief Executive Officer shall provide the Board a quarterly report comparing budgeted revenues and expenditures to the actual revenues and expenditures, as well as a forecast of the estimated Operating Plan results for the year as a whole.

G. Procurement Authority – Capital Budget

1. The Capital Budget approved by the Board establishes the budget for planned Capital Projects and the estimated budget for unplanned Capital Projects. The approval of the

Capital Budget authorizes the Corporation to begin the procurement process to carry out the Capital Plan.

2. Procurement Authority and Spending Authority may be provided by the Board simultaneously, where the Board explicitly states that with the approval of the budget, the Board authorizes the appropriate staff to enter into a Commitment(s) on behalf of the Board.
3. Management may reallocate funds among Building Capital Envelopes in the total Building Capital Budget, subject to the following:
 - a. Reallocations between \$500,000 and \$5,000,000 shall be reported to the Board on a quarterly basis; and
 - b. Reallocations greater than \$5,000,000 or any reallocation or reforecasting that results in a change to the total Building Capital Budget by more than 10% shall be approved by the Board.
4. Management may reallocate funds within Development Capital Envelopes in the Capital Budget, subject to the following:
 - a. The Chief Executive Officer is authorized to reallocate funds within a Development Capital Project budget, so long as no change to the total Development Capital Project budget results is anticipated;
 - b. Reallocations between \$500,000 and \$5,000,000 to the Development Capital Project budget shall be reported to the Board on a quarterly basis; and
 - c. Reallocation greater than \$5,000,000 or any reallocation that results in a change to the Development Capital Project budget by more than 10% shall be approved by the Board.
5. At a minimum, the Chief Executive Officer shall provide the Board a quarterly report comparing budgeted capital expenditures to actual expenditures plus Commitments, as well as a forecast of the estimated Capital Plan results for the year as a whole.
6. On an annual basis, the Chief Executive Officer shall report to the Board the status of all Capital Projects, including those that closed during the year.

Part III

Board Approval

H. Approval

No Commitment shall be made, no debt shall be incurred, no expenditure shall be made and no Account shall be paid by or on behalf of the Corporation, except with Board approval and in accordance with the provisions of this Financial Control Bylaw.

The Board may delegate its authority under this Bylaw to a Committee of the Board or to the Procurement Award Committee.

Part IV

Commitments

I. Spending Authority – Operating Budget

1. The Chief Executive Officer may make a Commitment, not exceeding his or her authority as provided in Sections I (2) and I (3), provided that the Commitment is in accordance with procurement policies, procedures, and protocols.

For the purposes of determining if a Commitment is within the Chief Executive Officer's Spending Authority, the following will be considered:

- a. The Commitment Value is deemed to be the greater of the total amount to be executed in the Commitment document, including current and future years, and the total amount of a Program;
 - b. Where the volume of work under a Program is unknown, the Commitment Value will be estimated based on prior year(s) spend and projections for future spend;
 - c. The Commitment Value shall be inclusive of all related charges with the exception of taxes, which shall be excluded; and
 - d. Commitments may not be split to circumvent the spending authorities provided for in this Bylaw.
2. The Chief Executive Officer may make a Commitment, not exceeding \$500,000 in any one instance, so long as the provisions in Section I (1) have been met, and the funds have been provided for in the approved Operating Budget.
 3. The Chief Executive Officer may make a Commitment, not exceeding \$250,000 in any one instance, if the funds have not been provided for in the approved Operating Budget, so long as the provisions in Section I (1) have been met and the funds for the expenditure are available.
 4. A Commitment that exceeds the Chief Executive Officer's authority as specified in this Bylaw requires the approval of:
 - a. The Procurement Award Committee, subject to the conditions and authority set out in the Board approved Terms of Reference of the committee;

- b. A Board Committee, subject to the conditions and authority set out in the Board approved Terms of Reference of the committee; or
 - c. The Board of Directors.
5. The Chief Executive Officer may delegate Commitment Authority to any management or staff member to enter into a Commitment for goods or services in accordance with the provisions of this Financial Control Bylaw. In delegating Commitment Authority, the Chief Executive Officer shall formulate and maintain a current schedule specifying the delegation of financial signing authority within the Corporation.
6. The Chief Executive Officer shall have the authority to approve Commitment Change Orders and amendments as follows:
 - a. The Chief Executive Officer may authorize Commitment Change Orders or amendments where the following conditions are met:
 - i. Sufficient funds are available; and
 - ii. The sum of all change orders or amendments do not exceed the greater of \$250,000 or 20% of the original Commitment Value.
 - b. Where a change order or amendment does not meet the provisions of section I 6(a) above, additional Commitments must be authorized by the Procurement Award Committee or Board Committee, within the authority set out in the Terms of Reference of each committee, or by the Board.
7. Notwithstanding the above requirements of Section I, the Chief Executive Officer is delegated standing authority to pay routine, budgeted expenditures, including specific property management costs for utilities, taxes of any kind, waste levies or any other levies imposed by a government agency, false fire alarm charges, mortgage principal and interest payments, as well as payroll and related benefits.

J. Spending Authority – Capital Budget – Building Capital, Other Capital, or Development Capital

1. The Chief Executive Officer may make a Building Capital or Other Capital Project Commitment, not exceeding his or her authority as provided in Sections J (2) and J (3), provided that the Commitment is in accordance with procurement policies, procedures and protocols.

For the purposes of determining if such a Commitment is within the Chief Executive Officer's spending authority, the following will be considered:

- a. Where more than one Building Capital or Other Capital Project is procured through a single Procurement Call, the Commitment Value shall be deemed to be

at the Building Capital or Other Capital Project level if the Procurement Call is both evaluated and awarded at the Building Capital or Other Capital Project level, and not on basis of the entire call. Where the Procurement Call is evaluated as a whole, the Commitment Value shall be deemed to be the at the Procurement Call level;

- b. The Commitment Value is deemed to be the total amount to be executed in the commitment document, including current and future years;
 - c. The Commitment Value shall be inclusive of all related charges with the exception of taxes, which shall be excluded; and
 - d. Commitments may not be split to circumvent the spending authorities provided for in this Bylaw.
2. The Chief Executive Officer may make a Commitment, not exceeding \$500,000 in any one instance, provided the provisions in Section J (1) have been met, the funds have been provided for in the approved Capital Budget.
3. The Chief Executive Officer may make a Commitment, not exceeding \$250,000 in any one instance, if the funds have not been provided in the Building Capital Budget, so long as that the provisions in Section J (1) have been met and the funding for the expenditure is available.
4. A Commitment that exceeds the Chief Executive Officer's authority as specified in this Bylaw requires the approval of:
 - a. The Procurement Award Committee, subject to the conditions and authority set out in the Board approved Terms of Reference of the committee;
 - b. A Board Committee, subject to the conditions and authority set out in the Board approved Terms of Reference of the committee; or
 - c. The Board of Directors.
5. The Chief Executive Officer may delegate Commitment Authority to any management or staff member for Commitments for goods or services in accordance with the provisions of this Financial Control Bylaw. In delegating Commitment Authority, the Chief Executive Officer shall formulate and maintain a current schedule specifying the delegation of financial signing authority within the Corporation.
6. The Chief Executive Officer shall have the authority to approve Commitment Change Orders and amendments as follows:
 - a. The Chief Executive Officer may authorize change orders and amendments where the following conditions are met:
 - i. Sufficient funds are available; and
 - ii. The sum of all change orders or amendments do not exceed the greater of \$250,000 or 20% of the original Commitment Value.
 - b. Where a change order or amendment does not meet the provisions of section J 6(a) above, additional Commitments must be authorized by the Procurement

Award Committee or Board Committee, within the authority set out in the Terms of Reference of each committee, or by the Board.

K. Commitment Authority –Urgency

1. In cases of Urgency, and with the approval of the Chairman of the Board, or his or her designate, the Chief Executive Officer, or his or her designate, has the authority to make a Commitment in excess of the amounts stipulated in Sections I and J above.

Part V

Payment Authority

L. Payment Authority

1. The Chief Executive Officer is delegated full authority to pay Commitments that were previously approved in accordance with Part IV of this Financial Control Bylaw, where the payment does not exceed the Commitment Value.
2. For settlements of legal claims, the Chief Executive Officer is delegated authority to approve payments up to \$500,000. For payments above \$500,000 approval must be granted by the Board of Directors.
3. The Chief Executive Officer may delegate Payment Authority to any management or staff member to settle an Account of the Corporation in accordance with the provisions of this Financial Control Bylaw. In delegating Payment Authority, the Chief Executive Officer shall formulate and maintain a current schedule specifying the delegation of financial signing authority within the Corporation.

Part VI

Authority for Write Offs and Disposition of Assets

M. Authority for Write Offs

The Chief Executive Officer, or his or her designate, is authorized to write off outstanding amounts owing to the Corporation as uncollectible. Write offs of amounts owing to the Corporation that are, cumulatively, in excess of \$250,000 with respect to a particular balance must be reported to the Board.

N. Disposition of Assets

The Chief Executive Officer, or his or her designate, is authorized to sell or otherwise dispose of assets owned by the Corporation, except in either of the following cases:

- a. The net book value of the assets being disposed of exceeds \$500,000, which requires Procurement Award Committee, Board Committee, or Board approval; and/or
- b. The disposition of assets involves real estate property, which requires Shareholder approval.

All asset disposals over \$250,000 shall be reported to the Board.

Part VII

Revenue Contracts

O. Revenue Contracts

The Chief Executive Officer, or his or her designate, is authorized to enter into a Revenue Contract under the following circumstances:

- a. Chief Executive Officer has authority to enter into Revenue Contracts with total value (over the entire term of the contract) of under \$5,000,000;
- b. Revenue Contracts between \$500,000 and \$5,000,000 shall be reported to the Board on a quarterly basis; and
- c. Revenue Contracts greater than \$5,000,000 shall be approved by the Board.

Part VIII

General

P. Repeal/Amendment

Subject to Shareholder Direction, the Board may repeal or amend all or any part of this Bylaw.

Q. Financial Control Bylaws No. 3 and No. 3A

Financial Control Bylaws No. 3 and No. 3A of the Corporation are repealed.

R. Effective Date

This Bylaw shall come into force on the _____ day of _____ 2018.

ATTACHMENT 3 – Explanation of Changes to Bylaw 3

The recommended revisions to Bylaw 3 seek to resolve the issues outlined below.

1. Providing more clarity and consistency

Issue

The existing Bylaw 3 is not well structured and unclear in multiple areas, thus leading to confusion and uncertainty in interpreting it. For example, there are defined terms in the “Definitions” section that are not used elsewhere. Furthermore, staff have had difficulty navigating through the bylaw as the document is not user-friendly.

Proposed Resolution

The suggested changes will make the bylaw clearer as unnecessary defined terms have been eliminated; new defined terms have been added to assist staff in interpreting the bylaw; and the structure of the bylaw has been modified to include similar information in the same sections of the bylaw to make it easier to find information.

Furthermore new sections are added to reduce uncertainty, including sections on change orders for operating and development budget items; and addition of a section on “Payment Authority.”

2. Clarification of authority given under “Budget Approval” and “Spending Authority”

Issue

In the existing Bylaw 3, “Spending Authorities” are referred to under both Part I: Budgets and Part III: Commitments, resulting in confusion as to if the authority to spend is (or may be) given at the time the budget is approved.

Proposed Resolution

The suggested changes clarify the authority provided to staff. The proposed draft now provides that the approval of the budget authorizes

staff to begin the procurement process to execute the capital and operating plans, while spending authority is the authority to enter into a commitment (or contractual obligation).

The suggested changes also explicitly allow the Board to provide both the authority to begin the procurement process and authority to enter into commitments at the time of budget approval.

3. Definition of commitment value for the purposes of determining spending authority and to avoid perception of splitting

Issue

The value of a commitment needs to be defined so as to be fair and transparent, and to avoid criticism that commitments could have been split for the purpose of circumventing spending or signing authorities. Areas requiring clarification include:

- Multi-year commitment;
- Multi-project procurement;
- Unknown contract value; and
- Taxes and other charge.

Proposed Resolution

Multi-Year Commitment

Where the commitment extends beyond the current year, the commitment value will be deemed to be the full value of the contract, inclusive of the entire contract period, and not just the portion to be spent in the current year.

Multi-Project Procurement

There has been more bulk purchasing by procurement lately, where distinct projects are being combined into one procurement call. This change has resulted in higher valued procurement calls overall, which in turn drives up the perceived commitment value and therefore the level of signing authority required. Under the proposed changes, the definition for the value of the

commitment for signing authority is to be at the project level, subject to certain conditions as set out below.

Where multiple projects are procured through a single procurement call, the commitment value will be deemed to be at the capital project level if:

- Each project in the procurement call is evaluated separately;
- Each project in the procurement call is awarded separately based on the highest score/lowest cost (as set out in the procurement documents) for each project; and
- The project is severable from all other projects (i.e. will continue to be executed whether or not other related projects in the procurement call are cancelled or delayed).

Where the procurement call is evaluated and/or awarded as a whole, the commitment value will be deemed to be value of the entire procurement call.

Unknown Contract Value

For unit priced agreements or other contracts where the volume of work is unknown, the commitment value will be estimated based on prior year spend and projected volume anticipated over the contract term.

Taxes and Other Charges

The commitment value will be inclusive of all charges related to the purchase of the good or service with the exception of taxes, which will be excluded as such amounts are in essence refundable to TCHC (i.e. HST).

4. Definition of capital project: Building Capital vs. Development

Issue

The existing Bylaw 3 does not clearly define what constitutes a capital project, nor does it consider certain complexities related to development projects as TCHC was not involved in development projects in 2002.

Proposed Resolution

A building capital project is proposed to be considered as an undertaking at a specified municipal address related to a defined line item in the capital budget, such as electrical, roofing, mechanical, structural, etc.

A development project is proposed to be considered as an undertaking to develop a defined parcel of land and/or buildings, and the project encompasses all activities in the anchor business plan.

5. Revenue Contracts

Issue

The current Bylaw does not address signing authorities for revenue contracts.

Proposed Resolution

The proposed changes adds a section to address revenue contracts.

6. Delegation of authority from the Board

Issue

The threshold for the CEO's spending authorization has not been adjusted for inflation or changes to TCHC's business since 2002.

Proposed Resolution

There is a minor change to increase the delegated authority to the CEO. The CEO's approval levels are currently inclusive of taxes, thus causing confusion. The suggested changes would now make the CEO's authority exclusive of taxes. Therefore, the new commitment authority would be:

Type of Approval	Previous Authority Level	New Authority Level
Budgeted Items	\$442,477.88	\$500,000
Unbudgeted Items	\$221,238.94	\$250,000

Furthermore, with respect to change orders, aside from adding limits to operating and development budget items, the suggested changes also increases the lower threshold of requiring Board approval from \$100K to \$250K, matching the commitment authority for unbudgeted items.

Type of Approval	Previous Authority Level	New Authority Level
Operating Budget	None provided	Sum of all change orders is greater of \$250,000 or 20% of original commitment value
Capital Budget	<ul style="list-style-type: none"> • \$100,000 for contracts under \$500K • 20% of contracts over \$500K 	
Development Capital Project Budget	None provided	



Board of Directors

931 Yonge Street
Toronto M4W 2H2

SECRETARY'S CERTIFICATE

I HEREBY CERTIFY that the foregoing is a true copy of a Resolution passed by the Board of Directors of the Toronto Community Housing Corporation during its *public* meeting held on the 11th day of December, 2017, which Resolution was duly enacted in the manner authorized by law and in conformity with the constating documents of the Corporation and that this Resolution has not been amended and continues to be in full force and effect.

REPORT: **Changes to Financial Control Bylaw 3**
TCHC:2017-72

The Board of Directors resolved to:

1. Delegate the Board's signing authority of up to \$2.5 million (exclusive of taxes) to the Procurement Award Committee, as outlined in this report;
2. Delegate the Board's signing authority above \$2.5 million (exclusive of taxes) to BIFAC with the understanding that anything about \$5.0 million go the Board of approval;
3. Request that the City of Toronto revise Bylaw 3 as per Appendix 2; and
4. Authorize the appropriate staff to implement the above recommendations.

DATED at the City of Toronto this 11 day of December, 2017.

A handwritten signature in black ink, appearing to read 'Ismail Ibrahim', written over a horizontal line.

Ismail Ibrahim
General Counsel & Corporate Secretary (Interim)
Toronto Community Housing Corporation